

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5439-01
Bill No.: HB 1435
Subject: Agriculture and Animals; Taxation and Revenue - Sales and Use
Type: Original
Date: January 28, 2014

Bill Summary: This proposal would create a state and local sales and use tax exemption for specified farm products sold at farmers' markets.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal could be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials assume this proposal would provide a tax exemption on sales at farmers markets, except for those farmers with over \$25,000 in annual sales at farmers' markets.

BAP officials noted that according to information on the USDA website, Missouri has about 141 of the 7,175 national farmers markets, or about 2.0%. The same source estimates national sales at over \$1.2 billion annually. BAP officials noted that using these figures would suggest Missouri sales of about \$24 million annually. Some of those sales are probably already exempt, but the amount is unknown. A state sales tax exemption on those sales would reduce total state revenues by the following amounts.

<u>Fund</u>	<u>Amount</u>
General Revenue	\$720,000
School District Trust	\$240,000
Conservation Commission	\$3,000
Parks, and Soil and Water	\$2,000

Officials from the **Department of Revenue (DOR)** assume this proposal would exempt all sales of farm products sold at a farmers' market from state and local sales and use taxes.

Fiscal impact

DOR officials cited a study by the Missouri Department of Agriculture, which provided an estimate of annual sales at Missouri farmers' markets of \$14.5 million. The report stated most of the sales are food related and currently taxed at the reduced food sales tax rate. DOR officials estimated the state sales tax loss at \$228,000, and noted that local governments would also have a negative impact.

Administrative impact

DOR officials did not provide an estimate of costs for this proposal, and **Oversight** assumes any cost to implement this proposal could be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **City of Columbia** assume this proposal would not have a major impact to their organization.

Officials from the **City of Kansas City** assume the potential loss to their organization would be negligible.

Officials from **St. Louis County** assume the sales tax loss to their organization would likely be small.

Officials from the **Francis Howell School District** and the **Fulton School District** stated they were not able to provide an estimate of the fiscal impact.

Officials from the **Joint Committee on Administrative Rules, Cole County, the City of Maryland Heights, the Johnson County R-VII School District, and the St. Louis County Directors of Elections** assume the proposal would have no fiscal impact on their organizations.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Harrison R-IX, Independence, Jefferson City, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

Oversight assumptions

Oversight assumes the fiscal impact of this proposal on \$14.5 million annual sales could be calculated as follows.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Annual</u>	<u>Ten Months</u>
School District Trust	1.000%	\$145,000	\$120,833
Conservation Commission	0.125%	\$18,125	\$15,104
Parks, and Soil and Water	0.100%	\$14,500	\$12,083
Local Governments *	3.700%	\$536,500	\$447,083

* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

For fiscal note purposes, **Oversight** will include an unknown revenue reduction for the General Revenue Fund since a substantial but unknown part of the reported sales are food and related items which are subject only to the 1% sales tax; none of that 1% tax is deposited into the General Revenue Fund.

ASSUMPTION (continued)

Oversight will include a revenue reduction less than \$100,000 per year for the Conservation Commission Fund and the Parks, and Soil and Water Fund. Oversight notes that the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts in addition to the direct revenue reduction greater than \$100,000 per year for local governments, but will not include those transfers in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE FUND

Revenue reduction - DOR

Sales Tax exemption

Section 144.527	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**CONSERVATION COMMISSION
FUND**

Revenue reduction - DOR

Sales Tax exemption

Section 144.527	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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**ESTIMATED NET EFFECT ON
CONSERVATION COMMISSION
FUND**

<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

**PARKS, AND SOIL AND WATER
 FUND**

Revenue reduction - DOR

Sales Tax exemption
 Section 144.527

(Less than
\$100,000)

(Less than
\$100,000)

(Less than
\$100,000)

**ESTIMATED NET EFFECT ON
 PARKS, AND SOIL AND WATER
 FUND**

**(Less than
\$100,000)**

**(Less than
\$100,000)**

**(Less than
\$100,000)**

SCHOOL DISTRICT TRUST FUND

Revenue reduction - DOR

Sales Tax exemption
 Section 144.527

(More than
\$100,000)

(More than
\$100,000)

(More than
\$100,000)

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICT TRUST FUND**

**(More than
\$100,000)**

**(More than
\$100,000)**

**(More than
\$100,000)**

FISCAL IMPACT - Local Government

FY 2015
 (10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Revenue reduction - DOR

Sales Tax exemption
 Section 144.527

(More than
\$100,000)

(More than
\$100,000)

(More than
\$100,000)

**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS**

**(More than
\$100,000)**

**(More than
\$100,000)**

**(More than
\$100,000)**

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which operate farmers' markets or sell specified items at farmers' markets.

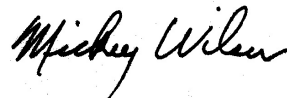
FISCAL DESCRIPTION

This proposal would create an exemption from state and local sales and use taxes for specific farm products sold at farmers' markets.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of the Attorney General
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Cole County
St. Louis County
City of Columbia
City of Kansas City
City of Maryland heights
Francis Howell School District
Fulton Public Schools
Johnson County R-VII School District
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
January 28, 2014

Ross Strobe
Assistant Director
January 28, 2014